UNITED
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Secretariat

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ENGLISH ONLY

INFORMATION CIRCULAR*

To: Staff members who are liable to pay income taxes to United States tax authorities on United Nations salaries and emoluments

From: The Controller

Subject: PAYMENT OF 1997 INCOME TAXES**

DEADLINES FOR SUBMISSION OF REQUESTS FOR REIMBURSEMENT OF 1997 TAXES:

Staff serving in the United States: 2 March 1998
Staff serving elsewhere: 1 April 1998

INQUIRIES:

Payroll Section, Room S-1830
Telephone (212) 963-2949
Fax (212) 963-4184
cc:Mail: Unit Tax; Internet: tax@un.org

In person or by phone:
6 April to 15 April 1998: 9.30 a.m. to 5.30 p.m.
At all other times: 3 p.m. to 5 p.m.

* Expiration date of the present circular: 31 December 1998.

** Personnel Manual index No. 3075.

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Note

The present circular is issued pursuant to section 3 of ST/AI/1998/1, entitled "**Payment of income taxes to United States tax authorities**" and contains important information about the reimbursement of income tax by the United Nations. Read it carefully and be sure that anybody you ask to assist you in the preparation of your tax returns reads it also. You will be required to certify as to the accuracy of certain statements made in your request for reimbursement and to give consent to the Organization to obtain certain verifications directly from the Internal Revenue Service. This is explained fully in paragraphs 5 to 9 below. Please note especially paragraph 8, which defines your responsibility for informing the Organization of any change in your tax liability or filing of amended tax returns for any reason.

TAX ADVICE AND TAX FORMS. Staff members needing detailed tax advice and/or tax forms should refer to paragraphs 23 to 25 for further information and a listing of addresses, telephone numbers and Internet sites for IRS and state tax help services.

STAFF MEMBERS OF DUAL NATIONALITY. A staff member's registered nationality and/or resident status with the United Nations determines their eligibility for reimbursement of income taxes. Staff members who are nationals of the United States must register as such to be eligible for reimbursement of United States income taxes on United Nations earnings.

SIGNING THE WAIVER. According to the United States Immigration and Nationality Act of 1952, staff members who are or who become permanent residents of the United States must sign the Waiver of Privileges and Immunities of the United Nations within 10 days of receiving notification of admission for permanent residence or effective date of employment with the United Nations.

MINIMIZING OF TAX. You are required to make maximum use of all exemptions, adjustments to income, and deductions available to you and to certify to this effect (see paras. 12-15).

TWO-PARTY CHEQUES. Cheques for reimbursement of taxes or for tax advances will normally be made payable jointly to you and to a taxing authority (two-party cheques). They must either be endorsed by you and transmitted to the appropriate tax authorities or returned to the Payroll Section. Two-party cheques must NEVER, under any circumstances, be deposited into your personal account.

STAFF MEMBERS DUE LARGE REFUNDS FROM TAX AUTHORITIES. Large refunds are often due to overpayment of tax advances by the United Nations. Please refer to paragraphs 48 to 50 for an explanation as to how any excess reimbursements for 1997 will be handled.

TAXPAYING STAFF MEMBERS STATIONED OUTSIDE THE UNITED STATES. If you were assigned to a United Nations office or mission outside the United States during 1996 or 1997 or 1998, you should give particular attention to the information contained in paragraphs 70 to 92.

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## INTRODUCTION

1. A staff member who is a United States citizen or a permanent resident (green card holder) who has signed the Waiver of Privileges and Immunities of the United Nations (the Waiver) is, as a rule, subject to taxation by the United States on his or her earnings from the United Nations. The main criterion of determination by the United Nations of entitlement to reimbursement of income taxes is the staff member's registered nationality and/or resident status with the United Nations, in compliance with staff rule 104.8 (a) which provides that "in the application of Staff Regulations and Staff Rules, the United Nations shall not recognize more than one nationality for each staff member". According to the United States Immigration and Nationality Act of 1952 the Waiver should be signed within 10 days of receiving notification of admission for permanent residence or joining the Organization. It is the staff member's PERSONAL RESPONSIBILITY to ascertain and meet his or her legal obligations, if any, arising under United States federal, state and municipal income tax laws.

2. A staff member who is liable for such taxes for 1997 and/or 1998 and who wishes to claim reimbursement from the United Nations may apply for reimbursement of such taxes in accordance with the procedures set out in the present circular.

## I. UNITED NATIONS POLICIES ON INCOME TAX REIMBURSEMENT

### A. Rationale for reimbursement of taxes levied on United Nations income

3. Most Member States, by acceding to section 18 (b) of the Convention on the Privileges and Immunities of the United Nations, have exempted United Nations staff members from national taxation of their official emoluments. A few Member States, however, have not done so in respect of their citizens or permanent residents, and these staff members may thus be required to pay taxes on their United Nations income. In the interests of equity, the General Assembly established a system to reimburse income taxes to those staff members of the United Nations who are required to pay taxes in respect of salaries or other emoluments which they receive from the United Nations.

4. The purpose of the reimbursement system is to place United Nations staff members subject to taxation in the position they would have had if their official emoluments were not taxed. Hence, it is intended neither to provide a benefit, nor to place the staff member at a disadvantage, in relation to other United Nations staff members who are not required to pay taxes to a Member State on their United Nations emoluments. United Nations staff regulation 3.3 (f) (i) stipulates that in no case shall the reimbursement by the United Nations exceed the final income taxes actually paid and payable in respect of a staff member's United Nations income.

B. Requirements for applications for reimbursement or for advances to pay estimated taxes

5. Staff members must submit to the Payroll Section, room S-1830, the following:

(a) For reimbursement of 1997 federal, state or municipal taxes:

(i) A request for settlement of income tax (United Nations form F.65 plus form F.65/A, if applicable);

(ii) A Consent for the Internal Revenue Service (IRS) to disclose tax return information to the United Nations (United Nations form F.243);

(iii) True, complete and signed copies of the relevant income tax returns and supporting information for the tax year for which reimbursement is requested.

For reimbursement of taxes for states other than New York, New Jersey, Connecticut, Washington, D.C., Maryland and Virginia, or for municipal authorities other than New York City or Yonkers, the tax rates and relevant instructions issued by the tax authority must be attached to the application.

(b) For advances to pay 1998 estimated taxes:

(i) A request for settlement of income tax (United Nations form F.65 plus form F.65/A, if applicable).

6. INCOMPLETE APPLICATIONS, THAT IS, FORMS THAT ARE NOT FULLY COMPLETED, SIGNED AND DATED AND, IN THE CASE OF REQUESTS FOR REIMBURSEMENT COMPLETE, SIGNED COPY/COPIES OF INCOME TAX RETURN(S), WILL NOT BE PROCESSED AND WILL BE RETURNED TO THE STAFF MEMBER WITH A NOTICE OF CORRECTION. THE ORGANIZATION WILL NOT ACCEPT ANY RESPONSIBILITY FOR DELAYS IN PROCESSING AN INCOMPLETE APPLICATION FOR REIMBURSEMENT OF INCOME TAXES.

7. All applicable spaces on form F.65 must be filled in as completely as possible. The Payroll Section relies on current information, such as home address, office location and telephone extension, in order to facilitate communication with staff members. A staff member's home address on form F.65 should be the same as the home address indicated on 1997 IRS form 1040 filed, unless it is certain that the staff member is more easily reached at another mailing address.

8. In signing form F.65, staff members certify and undertake very specific obligations as a condition of receiving reimbursement or advances. Staff members agree specifically, inter alia, to notify the United Nations within 30 days of: (a) any amended returns filed with the tax authorities subsequent to the copies submitted to the United Nations; and (b) any change in the staff member's tax liability which might require adjustment of taxes, whether that change takes place before or after the return is filed, whether or not that change pertains to the staff member's United Nations income, and whether or not a joint return is filed. Because changes in income from non-United Nations

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sources or changes in deductions are likely to affect the amount of the United Nations reimbursement, any kind of change in tax liability must be reported to the United Nations. Failure to adhere to these obligations may result in: (a) suspension of issuance of further tax reimbursement cheques; (b) recovery of amounts already advanced and/or paid; and (c) possible disciplinary action.

9. In completing and signing form F.243, a staff member consents to authorize the Internal Revenue Service to disclose certain tax information to the United Nations for verifying actual income taxes paid to the United States. This consent may be revoked within 75 days of signature. However, if consent is revoked, the staff member must immediately repay to the United Nations the entire amount of any tax reimbursement payments, including those for federal, state and municipal taxes, received subsequent to the filing of the revoked consent. The staff member may also be required to repay other tax reimbursement payments received in respect of the tax years to which the revoked consent refers. If such repayments are not made promptly, the amounts may be deducted, pursuant to staff rule 103.18, from future payments by the Organization of salaries and other emoluments, and appropriate disciplinary action may also be taken. Normally, the completion of one form F.243 at the time of application for reimbursement will be sufficient for the whole year. However, staff members may be required to complete and sign another form F.243 at any time during the year.

10. Form F.243 must be filed with no changes or alterations to the form itself, except as specified in the directions at the bottom of the form, and must be submitted with an original signature and date. Faxed copies of completed form F.243 are not acceptable because they do not have an original signature and date. The use of white-out or any subsequent corrections to form F.243 are not permitted. Form F.243 must be completed in ink and should not be completed in pencil. Any changes to form F.243 will result in delays in the processing of claims. Please adhere to the standard American dating convention of MONTH/DAY/YEAR and not the normal United Nations date format when completing form F.243. Reimbursement requests with a form F.243 in which the dating is ambiguous will be returned.

11. In cases where a staff member has filed a claim for reimbursement of income taxes that must be returned by the Payroll Section because of an error or some other deficiency, the staff member will receive a Notice of Correction. If the staff member fails to respond to the Notice of Correction in a timely manner, there may be substantial delays in processing the reimbursement request for which the United Nations will not accept any responsibility.

### C. Obligation to minimize tax liability

12. In order to minimize the burden on the Tax Equalization Fund, of which the Secretary-General is the trustee, and on voluntary funds from which tax reimbursements may be made, a staff member claiming reimbursement is required to make maximum use of all exemptions, adjustments to income, and deductions in order to minimize her or his tax liability. In claiming a reimbursement from the United Nations, a staff member, inter alia, certifies and agrees on the Request for settlement of income taxes (form F.65) that he or she will minimize

his or her taxes. Only those deductions that can be subtracted from employment income may be applied against United Nations taxable earnings.

13. For married staff members, the filing of joint tax returns in most cases results in a lower tax liability both for the staff member and for the United Nations. Married staff members choosing to file separately must provide an acceptable written explanation for selecting that filing status. Staff members who receive a dependency allowance from the United Nations for their spouse must file jointly or provide an acceptable written explanation for choosing an alternative filing status. If (a) tax return(s) with filing status other than married filing jointly is/are submitted, the final reimbursement of income taxes will be calculated using the greater of the standard deduction for married filing jointly for the tax year in question or the actual amount of itemized deductions claimed. Filing of joint federal returns by citizens and resident aliens with spouses who are non-resident aliens is permitted. New York State income tax laws require that taxpayers who file joint federal returns must, with very few exceptions, file joint New York State returns.

14. Staff members are required to itemize deductions if these would exceed the standard deductions allowable. Staff members should refer to the specific instructions issued by the tax authorities for examples of deductions allowed. If a staff member does not itemize deductions and it is determined by the United Nations that itemizing deductions would result in a lower tax, the tax returns will be returned to the staff member as INCOMPLETE, and she or he will be required to resubmit the returns with an itemized deduction schedule.

15. Staff members who have received United Nations dependency allowances for their relatives residing in the United States are required to claim the appropriate exemptions for the dependants, even if their filing status is married filing separately. Staff members who received dependency allowances for secondary dependants must claim the exemptions or provide an acceptable written explanation as to the reason for not doing so.

## D. Issuance of tax cheques by the United Nations

16. Cheques issued as the final settlement or advances for federal or state or municipal income tax liabilities attributable to United Nations earnings will usually be made payable jointly to the income tax authority and the staff member ("two-party cheques"). The staff member must endorse such cheques, thereby making them payable to the tax authority and then forward any such cheques to the tax authority. Two-party cheques payable to a tax authority and a staff member must NEVER, under any circumstances, be deposited into a personal account.

17. FAILURE TO ENDORSE AND FORWARD TWO-PARTY CHEQUES PROMPTLY TO THE APPROPRIATE INCOME TAX AUTHORITIES MAY RESULT IN A SUSPENSION OF ISSUANCE OF FURTHER TAX CHEQUES. DEPOSITING A TWO-PARTY CHEQUE INTO A PERSONAL ACCOUNT MAY RESULT IN SUSPENSION OF ISSUANCE OF FURTHER TAX CHEQUES, RECOVERY OF AMOUNTS ALREADY ADVANCED AND/OR PAID, AND POSSIBLE DISCIPLINARY ACTION.

18. An exception to the United Nations procedure of issuing two-party cheques will be made only if the staff member provides proof that full payment of income taxes has already been made at the time the claim is submitted. Generally, proof of payment means copies of both sides of cancelled personal cheques made payable to the tax authorities or certified transcripts of taxpayer accounts. When such proof of prior payment is provided by a staff member at the time of submission of her or his claim, a single-party cheque payable solely to the staff member will be issued. Any claims for reimbursement of income taxes which request a single-party cheque, but do not provide acceptable proof of payment, will be returned to the staff member.

19. The tax authorities require each taxpayer to enter her or his Social Security number on each cheque so that the cheque will be credited by the tax authority to the proper account. Staff members should verify that the Social Security number printed on the face of each tax cheque they receive is correct. Married staff members should always put their own Social Security number on any two-party cheque issued by the United Nations and not the Social Security number of their spouse. Staff members are urged to keep a record of the number of each tax cheque received from the United Nations. Copies of cancelled cheques can be obtained by providing the United Nations with the actual CHEQUE NUMBERS, together with an acceptable justification for the request. Requests for copies of cancelled cheques without cheque numbers will be honoured only when available resources permit.

20. Staff members who expect to be on official travel or leave on the date that tax cheques are issued should make prior arrangements with their executive officers to have the cheques forwarded to them early, so that they can endorse and send the cheques to the appropriate tax authorities before the date on which tax returns or estimated instalments are due. It may not always be possible for the Payroll Section to accommodate requests for early cheques.

## E. Limitation on retroactivity of claims for reimbursement of taxes

21. The reimbursement of income taxes shall be deemed to be claimable by staff members on the last date on which their return for a particular year must be filed with the tax authority, without any extension of time for filing other than the automatic extension for staff serving abroad. In accordance with staff rule 103.15, no claims for reimbursement of tax will be entertained beyond one year after that date, unless the United Nations accepts that there are reasonable extenuating circumstances. In such cases, a staff member may request that the time limit in staff rule 103.15 be waived, supporting such a request by a written explanation for the delay and the circumstances which resulted in the failure to submit the claim for reimbursement within the prescribed period. Staff members will be required to submit sufficient documentary proof of the actual tax returns filed with the respective tax authorities.

## F. Policy regarding interest and penalties imposed by tax authorities

22. As the responsibility for filing complete, correct and timely tax returns and estimated tax payments with any amounts due is that of the individual taxpayer, the United Nations will not reimburse staff members for interest or penalties imposed by tax authorities on their United Nations earnings. There are three exceptions to this rule. The United Nations may reimburse late payment and/or underpayment interest and penalty charges which arise from: (a) delays or incorrect written instructions or incorrect earnings data which are acknowledged by the United Nations as being the responsibility of the Organization; (b) extensions for staff members serving the United Nations outside the United States; or (c) underpayment of tax advances by the United Nations under the provisions of paragraph 56 (c), (d) and (e) below. The United Nations will not pay any late filing penalties under any circumstances.

## G. Income tax assistance, inquiries and forms

23. Neither the Office of Programme Planning, Budget and Accounts nor the Office of Legal Affairs is staffed to provide advice or assistance to staff members on tax matters other than in relation to the treatment of United Nations earnings, and neither office can communicate directly with tax authorities on a staff member's behalf. Under the provisions of staff regulation 1.6, staff members are not permitted to provide assistance in income tax matters to other staff members for remuneration without the prior approval of the Secretary-General. Should advice on non-United Nations-related aspects of income tax returns be needed, staff members should consult government income tax authorities or tax preparation services. Staff members may wish to obtain a free copy of Publication 17, the Tax Guide for Individuals, which is issued annually by the Internal Revenue Service. Staff members serving outside the United States may wish to obtain a free copy of IRS Publication 54. Specific information on all general tax matters may be obtained by calling the following telephone numbers or Internet sites:

Internal Revenue Service — 800-829-1040
http://www.irs.ustreas.gov/prod/cover.html

New York State Department of Taxation and Finance — 800-225-5829
http://www.tax.state.ny.us/faq

State of New Jersey, Department of the Treasury,
Division of Taxation — 800-323-4400 or 609-588-2200
http://www.state.nj.us/treasury/taxation/faq.html

State of Connecticut,
Department of Revenue Services — 800-382-9463 or 203-566-7033
http://www.state.ct.us/drs/faq

NY, NJ and CT 800 numbers can be dialled in-state only.

Staff members serving outside the United States requiring federal income tax forms or information should contact the nearest United States embassy, consulate or Internal Revenue Service office listed below:

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| Bonn, Germany | (49) (228) 339-2119 |
| Paris, France | (33) (1) 4296-1202 |
| Riyadh, Saudi Arabia | (966) (1) 488-3800, ext. 210 |
| Mexico City, Mexico | (52) (5) 211-0042, ext. 3557 |
| Singapore | (65) 338-0521, ext. 247 |

24. In order to allow the Payroll Section adequate time in which to complete the processing of tax returns, inquiries will be received by the Payroll Section daily from 3 p.m. to 5 p.m. The Payroll Section will be open for inquiries daily from 9.30 a.m. to 5.30 p.m. from 6 April 1998 to 15 April 1998. Inquiries can be made by telephone (212-963-2949), fax (212-963-4184), cc:Mail (Unit Tax), Internet (tax@un.org) or in person in room S-1830. Staff members outside the United States who need more information or assistance may contact the Payroll Section at any time by telephone, fax, letter or through the Internet.

25. Most forms required for filing federal and state returns are available from libraries, post offices and specialized government Internet sites. The Payroll Section will attempt to maintain a supply of a few basic forms outside room S-1830, which will be available to staff members on a limited basis. However, most tax forms will have to be obtained directly from the competent tax authorities. Tax forms may be ordered by calling the following telephone numbers or Internet sites:

Internal Revenue Service
800-829-3676
http://www.irs.ustreas.gov/forms_pubs/index.html

New York State Department of Taxation and Finance
800-462-8100
http://www.tax.state.ny.us/Forms

State of New Jersey, Department of the Treasury,
Division of Taxation
800-323-4400 or 609-588-2200
http://www.state.nj.us/treasury/taxation/howforms.html

State of Connecticut,
Department of Revenue Services
800-382-9463 or 203-297-4753
http://www.state.ct.us/drs/forms/index97.html

NY, NJ and CT 800 numbers can be dialled in-state only.

Income tax forms from government Internet sites are available in file formats that require special software to be read and printed. File readers are generally available free of charge from many income tax Internet sites.

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## II. PROCEDURES FOR REIMBURSEMENT OF FEDERAL, STATE AND MUNICIPAL INCOME TAXES FOR CALENDAR YEAR 1997

### A. Computation of the reimbursement

26. For the calendar year 1997, as in previous years, the method of computing the federal, state and municipal taxes payable on United Nations earnings and, thus, the amount which the United Nations will reimburse to a staff member is as follows.

27. The tax attributable to United Nations salary and emoluments is considered to be the DIFFERENCE between: (a) the total tax payable for the year as shown in the copies of the tax return submitted by the staff member with the United Nations income (as shown on the statement of taxable earnings) INCLUDED and (b) the tax that would be payable if United Nations income were EXCLUDED from total income.

28. Both calculations (a) and (b) above use the actual total deduction and the actual deduction for exemptions claimed by the staff member on her or his tax return. The adjustment to income for one half of self-employment tax (see para. 67 below) is considered to be an adjustment against United Nations income to the extent that this self-employment tax is attributable to United Nations income. All payment credits available, such as the earned income credit (EIC), the child and dependent care credit, the elderly and disabled credit and the foreign tax credit are applied to reduce the total income tax liability and do not affect either calculation.

### B. Statement of taxable earnings

29. Each staff member on the Headquarters payroll who is subject to United States taxes will receive a detailed statement of his or her United Nations taxable earnings for 1997 on United Nations form "Statement of taxable earnings". The statements will be issued before 30 January 1998.

30. A staff member who: (a) was payrolled at any time in 1997 by the Economic Commission for Africa (ECA), the Economic Commission for Latin America and the Caribbean (ECLAC), the Economic and Social Commission for Asia and the Pacific (ESCAP), the United Nations Office at Nairobi (UNON), the United Nations Office at Geneva (UNOG), the United Nations Office at Vienna (UNOV), the United Nations University (UNU), the Office of the United Nations High Commissioner for Refugees (UNHCR), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) or the International Tribunal in The Hague or in Arusha; and (b) is required to file a United States federal income tax return, should receive a statement of his or her United Nations taxable earnings directly from the finance office at that location. Statements of taxable earnings issued by finance offices away from Headquarters will be issued some time after 30 January 1998. Staff members who were on the payrolls of more than one office during 1997 should receive a separate statement of taxable earnings from each one; their total United Nations taxable income is the total of all such statements.

31. Staff members will note that at the bottom of the statement of taxable earnings there is a paragraph which explains that, since remuneration from an international organization is not subject to withholding, the United Nations is exempt from issuing a Wage and Tax Statement, IRS form W-2, per se. While it is not a requirement of IRS or state/local tax authorities, staff members may wish to attach a copy of the United Nations statement of taxable earnings to the income tax returns that they file with the appropriate tax authorities. A copy of the statement(s) of taxable earnings must be attached to the copy of the returns included with the request for reimbursement of taxes.

32. The following types of payments made by the United Nations to staff members during the calendar year 1997 are included in the statement of taxable earnings for 1997:

(a) Gross salary (before the deduction of staff assessment);

(b) Overtime and night differential;

(c) Post adjustment;

(d) Dependency allowance;

(e) Mobility and hardship allowance (including hazard pay, where applicable);

(f) Representation allowance;

(g) Education grant;

(h) Assignment grant;

(i) Travel on appointment and/or separation;

(j) Removal of household effects;

(k) Home leave travel;

(l) Rental subsidy.

The taxable portion of a partial or full distribution received from the United Nations Joint Staff Pension Fund (see paras. 95-99 below) along with any other taxable separation payments, such as accrued annual leave, repatriation grant or termination indemnity, will also be included on the statement in the case of staff members who have separated from the Organization. United Nations daily subsistence allowances (DSA) and mission subsistence allowances (MSA) are not taxable distributions.

33. The total of all types of payments shown on the statement of taxable earnings is the amount that will be reported directly by the United Nations to the United States Internal Revenue Service and is the amount that should be reflected in the staff member's income tax returns. Every possible effort will be made to ensure that all taxable income items have been included on the

statement of taxable earnings. However, even if some items have been omitted, it remains the responsibility of the staff member to include all taxable items on her or his tax return and to inform the Headquarters Payroll Section and the finance office issuing the statement of taxable earnings of the amount and date received of any item omitted from the statement of taxable earnings.

34. United Nations emoluments are considered wages or earnings from employment and they must be reported as such on line 7 of IRS form 1040, "Wages, salaries, tips, etc.". United Nations earnings should not be reported as part of business income on IRS Schedule C, which is normally not filed by United Nations staff members. Any claims for reimbursement using Schedule C to reduce United Nations earnings subject to income taxes will be returned to the staff member for correction.

C. Social Security numbers or taxpayer account numbers

35. The United States Internal Revenue Service, in connection with the operation of its automatic data-processing program, requires that taxpayers indicate their Social Security numbers on their tax returns for use as a taxpayer account number. Under the Internal Revenue Code, a penalty may be imposed for failure to supply an account or identification number, unless the taxpayer can show that the failure was due to reasonable cause.

36. Staff members who are liable to pay United States federal income tax should obtain a Social Security or taxpayer account number, even if they are not citizens or if their United Nations earnings are not otherwise subject to Social Security coverage. If a number is needed, the staff member should file federal application form SS-5 with the local office of the Social Security Administration. If a number has been applied for, but not received by the due date for filing, tax returns should be filed anyway and the words "Applied for" entered in the space provided for the number. Missing or incorrect Social Security numbers may result in the tax authority applying stringent penalties. Therefore, staff members are urged to apply for and to provide the Payroll Section with their Social Security numbers.

D. Office to which settlement claims are to be submitted

37. All staff members (except those who are or were payrolled by UNRWA) requesting reimbursement of income taxes for the calendar year 1997 should submit their completed applications to the Payroll Section of the Office of Programme Planning, Budget and Accounts, room S-1830, United Nations Headquarters. UNRWA staff members should submit their applications for reimbursement to the UNRWA finance office.

E. Deadline for submission of settlement claims for 1997

38. All staff members serving in the United States should submit their completed applications for reimbursement as soon as possible after receipt of the statement of taxable earnings, but NOT LATER THAN 2 MARCH 1998. As

discussed in paragraphs 72 and 73 below, for staff members serving outside the United States on or after 2 February 1998, the deadline for submission of applications for reimbursement is 1 APRIL 1998.

39. A staff member serving in the United States who submits a claim for reimbursement of 1997 income taxes on or before 2 March 1998 may anticipate that the claim will be reimbursed in advance of the 15 April 1998 IRS local filing deadline, provided the claim is complete and the Payroll Section finds no problems that may delay or prevent its timely processing. Similarly, a staff member serving outside the United States who submits a complete and processable claim for reimbursement of 1997 income taxes before 1 April 1998 may anticipate the claim will be reimbursed in advance of the 15 June 1998 IRS overseas filing deadline. The lead time provided by the submission deadlines gives the Payroll Section sufficient time to process and pay all complete, timely claims for reimbursement of income taxes in advance of announced IRS filing deadlines. Staff members who submit their claims for reimbursement of 1997 income taxes after the published United Nations submission deadlines are not assured that their claims will be reimbursed by the IRS filing deadlines applicable to them.

40. All staff members who received advances to pay estimated taxes for the tax year 1997 must submit a copy of their final tax returns for 1997, together with form F.65 (Request for settlement of income taxes) and form F.243 to the Payroll Section. If a staff member does not submit these by 11 September 1998, any tax advance payments which have been made to him or her WILL BE RECOVERED FROM SALARY starting the following month.

## F. Incomplete or incorrect applications

41. The elements of a complete application for reimbursement of taxes are set out in paragraphs 5 and 6 above. An incomplete application will not be considered a valid request and will be returned to the applicant. In such cases, the date of submission will be deemed to be the date of receipt of the corrected, complete return. The United Nations will not accept responsibility for the consequences arising from any delays in processing of incomplete claims.

42. In recent years, the use of computerized tax preparation packages by commercial tax preparers has become widespread, and some of them include the electronic filing of tax returns with the Internal Revenue Service. The paper copies of tax returns generated from computer software can be accepted by the Payroll Section as the required copy of a staff member's return only if there is a fully printed description for each line number of the tax return comparable to the line descriptions on federal and state returns. Computerized tax return forms which contain only line numbers and amounts are NOT acceptable. Federal income tax returns must be prepared using IRS form 1040 and New York state resident returns must be prepared using New York State Department of Taxation and Finance form IT-201.

43. If the Payroll Section determines, in the course of processing a request for reimbursement, that an error has been made by a staff member in his or her tax return(s), it will issue to the staff member a written notice of corrections to be made to the tax return(s). Staff members should not, however, rely on the

Payroll Section to detect errors; they remain fully responsible for filing correct returns with the tax authorities. Staff members who receive notices of correction are required to certify that they have made the necessary changes to their tax returns and have submitted the corrected returns to the tax authorities. They must return the notification of correction to the Payroll Section along with a copy of the corrected return(s) which they certify have been sent to the tax authorities. The United Nations will not be responsible for any delays in the issuance of tax cheques because of the requirement for returning the correction notification form with a copy of the corrected return(s) to the Payroll Section.

44. In instances when staff members have already filed their returns with the tax authorities before the receipt of a notification of correction from the Payroll Section, they must submit appropriate AMENDED returns to the tax authorities and submit a copy of the amended return(s) to the Payroll Section.

45. The failure of a staff member to return complete and correct copies of tax returns to the Payroll Section within 30 days of the date of a correction notification may result in the suspension of future quarterly tax advance cheques and the recovery of advances already paid.

## G. Issuance of final 1997 tax payment cheques

46. Final tax reimbursement cheques will be issued by 3 April 1998 to all staff members who submit complete claims for reimbursement of 1997 income taxes by the deadline of 2 March 1998. Final tax reimbursement cheques for all overseas staff members who submit complete claims for reimbursement of 1997 income taxes by the deadline of 1 April 1998 will be issued by 15 May 1998. Staff members whose advances to pay estimated taxes for 1997 exceeded their entitlements to tax reimbursement for 1997 for both federal and state returns receive no reimbursement cheques. Staff members whose advances to pay estimated taxes for 1997 were less than their entitlement to tax reimbursement for 1997 will receive either one or two reimbursement cheques for each return.

47. When two reimbursement cheques are received for a particular tax return, one of the cheques will be a two-party cheque payable jointly to the staff member and the taxing authority, and the other cheque will be a single-party cheque payable solely to the staff member. The staff member must endorse any two-party cheques and forward them solely to the appropriate tax authority. Two-party cheques payable to a tax authority and a staff member must NEVER, under any circumstances, be deposited into a personal account.

## H. Overpayment of tax advances

48. If a staff member has received advances to pay estimated taxes for 1997 from the United Nations which exceed his or her entitlement to reimbursement for the United Nations share of the total tax liability for 1997, the amount of excess reimbursement for 1997 will normally be considered by the United Nations to be estimated tax payments for 1998. The total amount of new advance payments made for 1998 estimated taxes will be reduced accordingly. Such excess amounts

are indicated on the transmittal statement accompanying 1997 reimbursement cheques and/or 1998 advance cheques. Any such excess payments for 1997 will be deducted from the first quarter tax advance cheque for 1998 and, if necessary, from subsequent quarterly tax advance cheques.

49. In such cases, staff members should be aware that they may incur penalties and interest if the total amount of estimated tax payments for 1998 are significantly underpaid as a result of the reduction in the 1998 advance cheques issued by the United Nations. Staff members will need either to designate on their 1997 tax returns a portion of any 1997 overpayment(s) due as an estimated payment for 1998 and/or to make additional estimated tax payments for 1998 directly. Staff members paying self-employment taxes on United Nations earnings should pay particular attention to the effect of any United Nations overpayment of 1997 federal estimated taxes on payments credited to their 1998 federal taxpayer account.

50. In certain instances, United Nations advances received to pay estimated taxes for 1997 may have greatly exceeded the staff member's total taxes due and the staff member is eligible for an unusually large refund from the tax authority. Unusually large refunds are normally considered to be overpayments of 1997 estimated taxes in excess of twice the amount of 1997 income taxes due on United Nations earnings. In these instances, most or all of the potential refund is due to and payable to the United Nations, and this excess reimbursement for 1997 by the United Nations cannot be recovered in a reasonable time by the normal method of reducing the staff member's 1998 tax advances. In such circumstances the staff member must request a full refund on her or his 1997 tax return, endorse the refund cheque to the United Nations when it is received and return it to the Payroll Section. The Payroll Section will then issue another cheque payable to the staff member for whatever portion of the total 1997 refund was not due to the United Nations. Any such unusually large refunds from a tax authority, which are due to a significant overpayment of tax advances by the United Nations and which are not returned to the Payroll Section within 90 days of the required filing date of the tax return, will be subject to immediate recovery from salary or final termination payments. A staff member who is uncertain whether a large refund from a tax authority must be treated in this fashion should consult with the Payroll Section.

## I. Timely filing of tax returns

51. Whether or not United Nations final reimbursement cheques are received by the IRS local filing deadline of 15 April 1998, staff members should file their returns on time with the appropriate tax authorities, unless they have filed a request for an extension to the deadline or serve outside the United States and are eligible to file on 15 June 1998, as discussed in paragraph 72 below. Staff members serving outside the United States should file their federal income tax returns by the overseas filing deadline of 15 June 1998 or apply for an extension of time to file. This will avoid the substantial penalties for failure to file the tax return within the time prescribed by law. If the tax return is filed without total payment, IRS and other tax authorities will levy a charge for the failure to pay the tax or portion thereof when due. Staff members may wish to refer to IRS Notice 746 (rev.10-97) for further information

about notice, penalties and interest. The United Nations will not pay any late filing penalties under any circumstances.

52. In this connection, the staff member is responsible for his or her share of the tax due and any interest and penalty related thereto. If, despite full compliance by the staff member with the procedures set out in the present circular, the United Nations cheques were not received or were not received in a timely fashion, a claim for reimbursement of any late payment interest and penalties levied will be considered in accordance with the provisions of paragraph 22 above.

## III. ADVANCES FOR ESTIMATED FEDERAL, NEW YORK, WASHINGTON, D.C., VIRGINIA OR MARYLAND, AND NEW YORK CITY OR YONKERS INCOME TAXES FOR CALENDAR YEAR 1998

53. A staff member who will be liable to pay federal, state or municipal income taxes for 1998 is required to file, by 15 April 1998, a declaration of estimated tax on his or her estimated 1998 income, including salary and emoluments to be received from the United Nations. Instructions regarding the filing of the declaration of estimated income tax, showing how and when payments are to be made, can be found on IRS tax form 1040-ES, New York tax form IT-2105, New Jersey tax form NJ-1040ES, and Connecticut form CT-1040ES.

54. Staff members should be aware that, in order to avoid the penalty for underpayment of estimated taxes for 1998, in most circumstances they will be required to pay in equal quarterly instalments as estimates of their 1998 federal tax at least the lesser of: (a) 100 per cent of their actual 1997 tax liability (including the self-employment tax); or (b) 90 per cent of their estimated 1998 tax liability (including the self-employment tax (Social Security contributions) on United Nations taxable earnings).

55. IT IS THE RESPONSIBILITY OF STAFF MEMBERS TO INCLUDE ON THEIR ESTIMATED TAX FORMS, ESTIMATES OF ADDITIONAL TAXABLE INCOME FROM SOURCES OTHER THAN THE UNITED NATIONS AND TO PAY THE ESTIMATED TAX DUE THEREON, INCLUDING THEIR SHARE OF SELF-EMPLOYMENT TAX (SOCIAL SECURITY CONTRIBUTIONS).

56. The United Nations is prepared to assist staff members to meet their estimated tax obligations on United Nations income. To facilitate the payment of estimated taxes, quarterly advances are issued to staff members on request and under the conditions prescribed below:

(a) A request for the issuance of advances to pay 1998 estimated income taxes is made by completing the appropriate section of form F.65 (Request for settlement of income taxes), normally completed at the same time as the request for the 1997 final tax reimbursements;

(b) No advances will be issued to pay 1998 estimated income taxes to any staff member who has received advances to pay 1997 estimated income taxes but who has not filed a completed tax form for 1997;

(c) No advances will be issued to staff members who are working under an initial appointment contract with the United Nations which is less than six months. The United Nations will be prepared to reimburse any penalty incurred by the staff members related to underpayment of estimated taxes on such United Nations income;

(d) Staff members who have separated from the United Nations will receive no additional advances. In some instances, retiring staff members who joined the Organization before 1 January 1980 will receive taxable lump-sum pension payments or other taxable distributions that will require additional estimated payments to be made to taxing authorities. The United Nations will not make further tax advances in these cases but will be prepared to reimburse any penalty incurred by the staff members related to the reimbursable portion of the United Nations payments;

(e) Advances may be reduced or eliminated for staff members on mission or assignment outside the United States who are likely to qualify for the foreign income exclusion discussed in paragraphs 74 to 80 below. Should it be necessary, the United Nations will reimburse any resulting penalty incurred by the staff members related to underpayment of estimated taxes on United Nations income;

(f) The amounts of the estimated tax advances issued by the United Nations will be determined by the Payroll Section; they will normally be based either on earnings received from the United Nations in 1998 or on the amount of taxes paid on United Nations income for the full year 1997 plus the United Nations portion of the Social Security (self-employment) taxes expected to be paid for 1998, if any;

(g) All tax advances issued during 1998 will be applied against the amount finally determined as reimbursable by the United Nations for the year 1998.

57. Estimated taxes are payable to the tax authorities in four quarterly instalments due on 15 April 1998, 15 June 1998, 15 September 1998 and 15 January 1999. Advances for the first quarterly instalment of the 1998 taxes will be issued by 3 April 1998, and those for subsequent quarterly payments will be issued by 5 June 1998, 4 September 1998 and 4 January 1999.

58. In 1995, the United Nations changed the procedures for the payment of advances to IRS for estimated federal taxes. In lieu of individual cheques for federal tax advances, the United Nations makes a direct deposit to IRS of regularly scheduled quarterly advances of federal estimated tax.

59. For most staff members paying taxes to the United States, tax advances granted are deposited directly with IRS for credit to the staff member's individual accounts as estimated payments received. Staff members who have not filed their requests for 1998 advances with the Payroll Section by the Headquarters deadline of 2 March 1998 may receive their first advance for estimated federal taxes for 1998 by cheque rather than direct deposit. However, in these instances, any subsequent advances in 1998 for federal estimated taxes will normally be made by direct deposit.

60. All advances for New York or other state/city estimated taxes will continue to be made by two-party cheque, payable jointly to the staff member and the tax authority. These state/city cheques must continue to be endorsed by the staff member and sent promptly with the proper form to the appropriate tax authority.

61. The United Nations is currently able to issue advances by two-party cheques only for federal and New York State taxes. Any advances for Washington, D.C., Virginia or Maryland state/city estimated taxes will be made by single-party cheques. These state/city single-party cheques must be endorsed by the staff member and sent promptly with the proper form to the appropriate state/local tax authority. The United Nations does not issue advances for estimated taxes for states other than New York, Washington, D.C., Virginia and Maryland, but may reimburse any late/underpayment of estimated taxes penalties and related interest that may be levied by other state tax authorities as a consequence.

62. Staff members payrolled at Headquarters whose tax advance payments for estimated federal taxes in 1997 were made by a direct deposit to IRS will be notified of the amount of the direct deposit on the 1997 statement of taxable earnings.

63. Staff members whose tax advance payments for the United Nations share of their estimated federal taxes are made by direct deposit with IRS will, in many cases, still have to make additional estimated tax payments directly to IRS each quarter, using IRS form 1040-ES payment vouchers. Staff members who are United States citizens and are thus required to pay Social Security contributions on their United Nations earnings will need to make estimated federal tax payments for their own share of Social Security (self-employment) taxes due and may be penalized for underpayment of estimated taxes if they do not. All staff members with taxable income from sources other than the United Nations may need to make additional estimated federal tax payments each quarter as well.

## IV. SOCIAL SECURITY CONTRIBUTIONS (SELF-EMPLOYMENT TAXES)

64. It is mandatory that all United States citizens report any self-employment income and pay the appropriate self-employment tax. United States citizens (but not resident aliens - green card holders - who have signed the waiver of immunity) who are serving in the United States have Social Security coverage while employed by the United Nations. United States citizens serving abroad do not, except as indicated in paragraphs 91 and 92, have Social Security coverage; they are neither subject to self-employment tax nor can they obtain Social Security coverage by voluntary payments.

65. United States citizens working for the United Nations and serving in the United States are taxed on United Nations earnings AS IF THEY WERE self-employed. Their Social Security contribution on the gross amount of United Nations taxable income for 1997 must be calculated using IRS Schedule SE (Self-employment Tax). This does not imply, however, that United Nations emoluments should be reported on IRS Schedule C (see para. 34).

66. The General Assembly has approved payment of the difference between the total amount of self-employment (Social Security) tax United States citizens are

required to pay as United Nations staff and the amount they would have to pay themselves as employees of a taxable employer in the United States. The United Nations will normally reimburse one half of the self-employment tax due on the United Nations taxable earnings as calculated on IRS Schedule SE.

67. United States citizens employed by the United Nations in the United States must complete Schedule SE (Self-employment Tax) as part of their federal form 1040 to report their United Nations income. An adjustment to income for self-employment taxes due is allowed on the staff member's federal return and on some state returns as well. The amount of the adjustment to income is one half of the total self-employment tax reported on Schedule SE. This adjustment to income must be reported on line 26 of IRS form 1040 and, if applicable, on line 17 of New York state forms IT-201 and IT-203.

68. An individual's total estimated tax is defined as the sum of his or her estimated income tax and estimated self-employment tax. This means that a United States citizen employed by the United Nations in the United States is required to pay her or his self-employment tax on a quarterly basis. The payment of any balance of the self-employment tax in respect of the year 1997 will be due on or before 15 April 1998, together with the federal income tax return.

69. Application for reimbursement of the United Nations portion of Social Security contributions (self-employment tax) owed is made by completing form F.65 (Request for settlement of income taxes) and attaching a completed copy of federal tax Schedule SE with the submitted tax return. The amount due from the United Nations in respect of Social Security contributions (self-employment tax) is automatically included in the quarterly advances issued by the United Nations for payment of estimated United States federal income tax. The amount of self-employment tax included in the quarterly advances will be specifically indicated on the transmittal statement. Quarterly payments by the staff members for their own share of self-employment taxes should normally equal the amounts paid by the United Nations.

## V. SPECIAL PROVISIONS AND PROCEDURES APPLICABLE TO STAFF MEMBERS ASSIGNED TO A UNITED NATIONS OFFICE OUTSIDE THE UNITED STATES DURING 1996 OR 1997 OR 1998

### A. General comments

70. The United States tax regulations for taxpayers who are or have been outside the United States recently for long periods of time are especially complicated; United Nations tax reimbursement procedures necessarily reflect that complexity. Staff members with questions about these procedures, particularly those currently stationed outside the United States, should not hesitate to seek assistance from the Payroll Section by letter, telephone (212-963-2949), fax (212-963-4184), cc:Mail (Unit Tax) or Internet (tax@un.org).

71. Staff members who are stationed outside the United States on or after 1 February 1998 are expected to meet the deadlines and requirements discussed in the following paragraphs. To the maximum extent possible, the deadlines and

other requirements have been designed to allow such staff members additional time to comply with them. Staff members who are unable for any reason to comply with the filing deadlines or other requirements must notify the Payroll Section promptly and provide a written explanation of the circumstances.

## B. Filing deadlines

72. IRS grants taxpayers who are physically outside the United States on 15 April 1998 an automatic extension to 15 June 1998 for the filing of income tax returns for 1997, in recognition of the difficulties that such taxpayers may encounter in meeting the 15 April deadline. This extension to file is granted automatically, but a written statement certifying that the staff member is outside the United States must be attached to the return. Interest and late payment penalties are charged on any tax payments owing and received after 15 April 1998. Please note that state tax authorities do not normally grant an automatic extension of time to file for overseas taxpayers. Staff members applying for an extension to file 1997 federal income tax returns have to apply separately for extensions to file any required state returns.

73. The United Nations takes this automatic filing extension into consideration by granting those staff members serving outside the United States on or after 1 February 1998 an additional month in which to submit their request for settlement. These staff members should submit a claim for tax reimbursement as soon as possible, but NOT LATER THAN 1 APRIL 1998. The United Nations will pay any late payment and/or underpayment interest and penalties that may have accrued as a result of this extension, either to the date of payment of any unpaid taxes on United Nations income or to 15 June 1998, whichever is earlier. The United Nations will not pay any late filing penalties under any circumstances.

## C. Foreign earned income and housing cost exclusions

74. In certain circumstances, the federal government and many states allow some or all income earned outside the United States to be excluded from total income before it is taxed. A staff member meeting either the PHYSICAL PRESENCE TEST or the BONA FIDE RESIDENCE TEST as follows must elect to exclude in one or more taxable years foreign earned income attributable to the period of residence outside the United States:

(a) To qualify for this foreign earned income exclusion under the PHYSICAL PRESENCE TEST, a staff member must be physically outside the United States for at least 330 full days during any period of 365 consecutive days. A full day means the 24-hour period that starts at midnight. The 330 full days may be interrupted by periods in the United States;

(b) Alternatively, to qualify for this foreign earned income exclusion under the BONA FIDE RESIDENCE TEST, the staff member must, in addition to being either a United States citizen or a United States resident alien who is a national of a country with which the United States has an income tax treaty in effect, be a BONA FIDE resident of a foreign country, or countries, for an

uninterrupted period that includes a complete tax year, 1 January through 31 December. The determination whether a staff member is a BONA FIDE resident of a foreign country involves his or her intention about the length and nature of the stay. Generally, if a staff member goes to a foreign country for a definite, temporary purpose and returns to the United States after it is accomplished, she or he is not a BONA FIDE resident of that country. If accomplishing the purpose requires an extended, indefinite stay, and a staff member makes his or her home in the foreign country, he or she may qualify as a BONA FIDE resident.

75. Most staff members on mission who qualify for the foreign income exclusion do so under the PHYSICAL PRESENCE TEST because they have been on assignment for the United Nations outside the United States for 330 days during some consecutive 365-day period. Some staff members, who have not yet been outside the United States long enough by early 1998 to qualify for the exclusion, are likely to qualify later in 1998 when their assignment has carried on for a year or so. The specific 365-day consecutive period during which a staff member is outside the United States for at least 330 full days is the QUALIFYING PERIOD for the foreign income exclusion. Very often the QUALIFYING PERIOD will cut across two calendar years and will therefore affect the staff member's tax returns for both years.

76. Staff members who have completed an assignment of more than 330 days outside the United States, or who are likely to do so by the end of 1998, should contact the Payroll Section to see if they are qualified or will be qualified to claim the foreign income exclusion. Staff members who have been on mission or assignment outside the United States during 1996, 1997 or 1998 must complete form F.65/A as a supplement to form F.65 (Request for settlement of income taxes) in order to help the Payroll Section in determining whether or not staff members have qualified or are likely to qualify for the exclusion.

77. The maximum amount of foreign income which can be excluded is $70,000 per year for a staff member whose QUALIFYING PERIOD outside the United States is the full 12 months of the tax year. In most cases, the amount of the maximum foreign income exclusion for a particular tax year is reduced in proportion to the number of days in a staff member's QUALIFYING PERIOD that fall within that tax year.

78. Some staff members who qualify for the general foreign earned income exclusion will also qualify for excluding and/or deducting an additional amount based upon foreign housing costs. Staff members who are eligible (see IRS form 2555 instructions for further details) must take the full housing cost exclusions and/or deductions permissible. These housing expenses include rent, utilities (other than telephone charges), real and personal property insurance, non-refundable fees paid to obtain a lease, rental of furniture and accessories, residential parking and household repairs.

79. If a staff member qualifies for federal income tax purposes for the foreign income exclusion for United Nations income earned outside the United States, such income can and must also be excluded from New York State, Connecticut, New York City and Yonkers income, if applicable. There is no foreign income exclusion allowed, however, as a reduction to New Jersey income.

/...

80. In calculating a staff member's tax reimbursement with respect to United Nations income, any foreign income exclusion available and any housing costs exclusion or deduction will be applied against the staff member's United Nations earnings to the extent that these deductions resulted from the period of his or her service with the Organization.

D. Filing procedures for staff members who have qualified for or are likely to qualify for foreign income exclusion for 1997

81. Staff members who by 15 April 1998 already qualify for a foreign income exclusion for part or all of 1997, because the end of their QUALIFYING PERIOD has already been reached, must claim the exclusion for 1997 by completing IRS form 2555, "Foreign earned income", and including it with their completed federal tax return. All federal tax returns which include IRS form 2555 (including amended returns) must be sent to the Internal Revenue Service Center, Philadelphia, PA 19255, no matter what IRS filing centre is normally used.

82. Staff members on mission or assignment outside the United States since 1997, who have not yet qualified for the foreign income exclusion but who think it likely that they will be outside the United States for 330 days during a QUALIFYING PERIOD that will end between 15 April 1998 and 30 September 1998, must take advantage of the IRS provision that allows them to postpone filing their 1997 tax returns until such time as they expect to qualify for the foreign income exclusion for some portion of 1997.

83. Staff members postponing their tax filing for 1997 for this reason who anticipate they will not qualify for the foreign income exclusion by 15 June 1998 (the extended filing date automatically granted by the IRS to taxpayers physically out of the United States on 15 April) should file IRS form 2350, "Application for extension of time to file U.S. Income Tax Return". This form 2350 should be sent to the Internal Revenue Service Center, Philadelphia, PA 19255 no later than 15 June 1998. Staff members must also notify the Payroll Section that they have postponed filing with IRS and accordingly will not be able to meet the Payroll Section's 1 April 1998 deadline for submission of settlement claims for 1997 and will, thereby, be exempt from paragraph 40 of this circular.

84. Staff members who qualified for the foreign income exclusion for 1997 may in some cases have received tax advances for 1997 substantially in excess of the United Nations share of their total tax liabilities. Staff members in this situation should refer to paragraphs 48 to 50 on overpayments of tax advances.

E. Requirements for amended tax returns in certain circumstances

85. Staff members on mission or assignment outside the United States in 1998 who have not yet qualified for the foreign income exclusion for 1997, and who do not expect to qualify by 30 September 1998, must submit their settlement claim for 1997 to the Payroll Section by the regular deadline of 1 April 1998 and file their returns for 1997 on time with the taxing authorities. Should they

subsequently qualify for the foreign income exclusion with a QUALIFYING PERIOD that includes any portion of 1997, an amended return or returns for 1997 must be filed with the tax authorities within 90 days of the end of the QUALIFYING PERIOD.

86. Similarly, staff members who were on a mission or assignment outside the United States which qualified them for the foreign income exclusion with a QUALIFYING PERIOD that included part or all of 1996 or any prior tax year and who have not already claimed the exclusion on that year's income tax return(s) must file an amended return or returns with the applicable tax authorities within 90 days requesting a refund.

87. A copy of any amended return(s) to claim the foreign income exclusion must be submitted to the Payroll Section at the time of the filing with the tax authorities. Since the foreign income exclusion on returns amended for this reason relates to United Nations income for which the United Nations has already provided reimbursement, most or all of the amount eventually received as a refund by the staff member as a result of the filing of the amended return(s) will be due to the United Nations. Upon receipt of the refund cheque, staff members must within 30 days bring or send it to the Payroll Section for settlement of the balance due to the United Nations.

88. If it is determined by the Payroll Section that a staff member has qualified for the foreign income exclusion for a past year, which would require the staff member to file an amended return for that year, a notification will be sent to the staff member informing him or her of the need to file the amended return(s). If, after 90 days following the date of the notification, the staff member has not submitted a copy of the properly amended return as filed with the tax authorities, the amount of tax reimbursement made by the United Nations for that year will be RECOVERED FROM SALARY starting the next month.

### F. Tax advances for staff members on mission or assignment outside the United States

89. Tax advances for 1998 for staff members who have qualified or are likely to qualify for the foreign income exclusion in 1998 will be made based only on any estimated United Nations income in excess of the expected exclusion. If for any reason the staff member does not later qualify for the exclusion, the United Nations will, in addition to reimbursing the tax actually due, pay any penalties due for the underpayment of the United Nations share of estimated taxes due.

90. Staff members who are newly assigned in 1998 to missions or offices outside the United States for a period of six months or longer must notify the Payroll Section of their assignments prior to their departures. No further tax advances will be made to staff members who begin a six-month or longer assignment outside the United States prior to 14 August 1998. Staff members who returned in 1997 from assignments outside the United States should notify the Payroll Section in order to determine if 1998 quarterly estimated tax cheques need to be reinstated or increased.

### G. Special provisions governing Social Security

91. United States citizens serving abroad (whether or not they qualify for the foreign income exclusion) do not have Social Security coverage and generally pay no self-employment taxes. However, to the extent that they spend time in the United States, whether on duty or on leave, their earnings for each such period are subject to the self-employment tax, which will be partially reimbursed by the United Nations in accordance with paragraphs 65 to 68 above.

92. The Social Security contribution (earnings subject to self-employment tax) for each such period should be calculated by multiplying the number of days spent in the United States (including the days of arrival and departure) by the daily rate of remuneration (calculated as a fraction of the then prevailing monthly rate), consisting of gross base salary, post adjustment and any salary allowances paid during the applicable period. The minimum amount of income that must be reported for self-employment/Social Security purposes in any year is $400.

## VI. SPECIAL PROVISIONS RELATING TO STAFF MEMBERS WHO HAVE ALREADY SEPARATED FROM THE UNITED NATIONS OR WHO ARE EXPECTING TO SEPARATE FROM THE UNITED NATIONS IN 1998

93. When a staff member leaves the Organization for any reason, he or she is still required to follow the procedures for requesting tax reimbursement for the last year in which she or he received compensation from the United Nations. Staff members who terminated or received final payment during 1997 are required to file the application forms with copies of their 1997 returns by the normal 1998 deadlines.

94. Staff members payrolled outside Headquarters must inform the Payroll Section in New York of the date of their separation from the Organization in advance.

95. When a staff member who has received tax advances leaves the Organization before the end of a year, the Payroll Section estimates the amount of reimbursement for taxes owed to the staff member for the partial year worked and compares it to the amount of advances already received. If the amount of advances already received exceeds the estimated reimbursements owed, the difference is subtracted from the staff member's final termination payment. Staff members who plan to leave the Organization and who wish to avoid such a deduction from their final payment should consult the Payroll Section as soon as possible to reduce the amount of tax advances they will otherwise receive.

96. United Nations Joint Staff Pension Fund (UNJSPF) payments to retiring staff members may include full or partial lump-sum distributions, which include the staff member's own contributions to the Fund, the Organization's contributions and interest earned. The Organization's contributions, a portion of the staff member's contributions and interest earned are taxable income to the staff member.

97. UNJSPF payments to separating staff members who are not retiring may include full or partial withdrawal settlements, which include the staff member's own contributions to the Fund, the Organization's contributions in some cases, and interest earned. The Organization's contributions, if any, and interest earned are taxable income to the staff member.

98. The taxes on these UNJSPF payments may or may not be reimbursed by the United Nations, depending on the staff member's period of service. Retiring staff members who joined the Organization prior to 1 January 1980 are entitled to receive reimbursement for income taxes paid on partial or full lump-sum pension payments and withdrawal settlements received. Qualified staff members who wish such tax reimbursement from the United Nations for lump-sum payments should make sure to include these payments as part of net income on their tax returns in the year the payment is received. The United Nations will not reimburse any future taxes payable on such distributions if the income tax liability for these amounts is deferred to future years because the staff member has "rolled over" the payments into another qualifying pension plan or an IRA account. Staff members should not use IRS form 4972 to calculate the amount of tax on a partial lump-sum pension payment. Any claim for reimbursement of income taxes where the tax on a partial lump-sum payment is calculated on IRS form 4972 will be returned to the staff member for correction.

99. The General Assembly, in resolution 34/165 of 17 December 1979, decided that staff members joining the United Nations after 1 January 1980 would not be entitled to receive reimbursement for income taxes paid on partial or full lump-sum payments and withdrawal settlements received. Such staff members, who do not qualify for reimbursement, may wish to "roll over" lump-sum pension payments within 60 days of receipt into another qualifying pension fund or into an IRA account, so that taxes on the payments are deferred until distributions are received in later years.

100. Separating staff members who are members of the Pension Fund receive a letter from the secretariat of UNJSPF which provides the details of their contributions and United Nations payments. Staff members must submit a copy of this letter to the Payroll Section at Headquarters and to the finance office issuing their statement of taxable earnings by 31 December, so that the taxable portion of their distributions can be determined and the correct amounts incorporated into their statement of taxable earnings. Staff members who have become permanent residents of the United States after having joined the United Nations must also provide a copy of the personnel action form (P.5) showing the date they signed the Waiver of Privileges and Immunities of the United Nations. It is the personal responsibility of separating staff members to inform the appropriate offices of any pension-related information that may be relevant to the preparation of their statements of taxable earnings. Partial or full lump-sum payments and withdrawal settlements pertaining to the period of service prior to signing the Waiver are not taxable and will not be included as part of the taxable portion of pension lump-sum payments. If the statement of taxable earnings does not contain the taxable portion of any lump-sum or settlement payments received, a staff member is nonetheless required to include the correct amount in his or her total of taxable income reported to the tax authorities. Requests for reimbursement for taxes will not be processed for separated staff

members if the Payroll Section has not previously received a copy of the separation benefits letter from the secretariat of UNJSPF.

101. Staff members who have separated from the United Nations will receive no further tax advances. Taxable lump-sum or withdrawal settlement payments will often require additional estimated tax payments to be made to avoid penalties. The United Nations will not make additional advances for such separation distributions but will be prepared to reimburse any late payment and/or underpayment penalty and interest incurred by the staff members related to the reimbursable portion of the United Nations payments.

UNITED NATIONS

# REQUEST FOR SETTLEMENT OF INCOME TAXES

To: PAYROLL SECTION, Room S-1830, Office of Programme Planning, Budget and Accounts, U.N.

Name: _____ (Last) _____ (First) _____ (M.I.) Index no. _____ (Mandatory) Social Security no.: _____ (Mandatory)

Visa status:
[ ] U.S. citizen since at least 1 January 1997 (Visa status "U")
[ ] U.S. permanent resident since at least 1 January 1997 and have signed the "Waiver" (Visa status "W")
[ ] Residency/citizenship status changed from _____ to _____, effective date _____ (day/month/year)

Duty status:
[ ] Active staff member at time claim for reimbursement submitted to Payroll Section
[ ] Separated staff member as at _____ (day/month/year)
[ ] Retired staff member as at _____ (day/month/year)
[ ] Other, please explain _____ (SLWOP/SLWFP/ETC.), effective date _____ (day/month/year)

Spouse has United Nations earnings subject to income Tax Reimbursement [ ] Yes [ ] No

If Yes, name of spouse: _____ Index no. _____ (Mandatory, if Yes) Social Security no. _____ (Mandatory, if Yes)

Mailing address: _____
(Please provide address where you can be contacted with greatest certainty)

Telephone number during business hours, if not active staff member: _____

UN/UNDP/UNICEF Department or Office: _____ e-mail address: _____
Mandatory for active staff members; please adhere to United Nations naming conventions

Room no.: _____ Telephone/Extension no.: _____
Mandatory for active staff members; please adhere to building naming conventions

*Check one or both boxes*

[ ] A. I am requesting settlement of 1997 income taxes. *(Complete numbers 1 to 12 below.)*

[ ] B. I am requesting advances to pay 1998 estimated income taxes. *(Complete numbers 1 to 5 and numbers 13 to 17 below.)*

## SECTION I - To be completed by all staff members

In consideration of any tax payments made to me, *I hereby certify* and give the following undertakings:

1 (a) I am, or have been assigned to a United Nations office outside the United States during 1996, 1997 or 1998. [ ] Yes [ ] No

(b) If I have checked "Yes", I have completed and attached form F.65/A. [ ] Yes [ ] No

[ ] 2. I certify that any cheques made payable jointly to me and to a taxing authority (*two-party cheques*) received from the United Nations in response to my requests for tax advances or reimbursements have been or will be transmitted solely to the tax authorities named on the cheques to meet my income tax obligations and will *never be deposited into a personal account*.

[ ] 3. I certify that I will *provide* the United Nations, upon request, with acceptable *proof* of taxes paid or other documents or information as may be required to verify my tax liabilities.

[ ] 4. I certify that I will *refund* to the United Nations any *overpayment* of tax reimbursements or advances, together with any interest received as a result of any such overpayment made by the United Nations.

[ ] 5. I certify that any settlements which I have received from the United Nations for the purpose of meeting income tax liabilities of previous years have been paid by me to the appropriate tax authorities and that no part of such money has been refunded to me by the income tax authorities which I have not refunded to the United Nations.

## SECTION II - To be completed by all staff members requesting settlement for 1997 income taxes

[ ] 6. I certify that the signed copies of my income tax returns for 1997, which are attached, are *true, correct and complete copies* of final returns, that they correctly reflect my tax liabilities for 1997 and that they are the basis on which settlement for 1997 taxes are requested. If my request for settlement includes tax returns from states other than New York, New Jersey or Connecticut, or for municipal authorities other than New York City or Yonkers, I have attached to this application the tax rates and relevant instructions issued by the tax authorities.

[ ] 7. I certify that, as a United States citizen, I am *subject to United States self-employment tax* on my United Nations earnings and that I am entitled to the difference between the amount of the Social Security tax I am required to pay as a United Nations staff member and the amount I would have to pay as an employee of a taxable employer. I have reported my self-employment tax on my United States Income Tax Form 1040, and I have attached to my return a copy of Schedule SE.

[ ] 8. I certify that I have *minimized my income tax* for 1997 by utilizing all exemptions, adjustments to income and deductions to which I am entitled, including the *itemizing of deductions* if they exceed the standard deduction allowable.

[ ] 9. I certify that if I have received a United Nations dependency allowance for relative(s) residing in the United States, I have *claimed these relative(s) as dependant(s)* on my income tax returns.

[ ] 10. I certify that I will *notify* the United Nations within 30 days if for any reason it is necessary for me to file an *income tax return which is different* from the returns I have herewith submitted and will *furnish* a copy of the new return to the United Nations.

[ ] 11. I certify that I will *notify* the United Nations within 30 days of any *amended returns* subsequently filed or any change in my tax liability which might require adjustment of the tax payments received in any year.

[ ] 12. I have completed in full, signed, dated currently and attached an *ORIGINAL* of form F.243 (12-97).

## SECTION III - To be completed by all staff members requesting advances to pay 1998 estimated taxes

13. I request advances to pay the following estimated taxes for 1998:

[ ] Federal [ ] Social Security/self-employment [ ] State/city

14. I expect to itemize deductions in 1998. [ ] Yes [ ] No

If I have checked "Yes", my estimated total deductions for 1998 are:

Federal $_____ State/city $_____

15. My own (and, if applicable, my spouse's) total outside taxable income in 1998, other than United Nations income, is estimated to be: $_____.

16. Total number of federal exemptions that will be claimed in 1998, including myself will be: _____.

17. I have moved into or out of New York State or New York City or Yonkers during 1998. [ ] Yes [ ] No

If I have checked "Yes", the date of my move was _____ (day/month/year) and I moved from_____

to _____.

**ALL INFORMATION CONTAINED HEREIN CERTIFIED TRUE AND CORRECT.**

Date: _____ (day/month/year) Signature: _____

UNITED NATIONS

REQUEST FOR SETTLEMENT OF INCOME TAXES:
SUPPLEMENTARY INFORMATION TO FORM F.65
*To be completed by staff members on mission or assignment outside the U.S. during 1996, 1997 and/or 1998*

Name: _____ Index no.: _____

Staff members who have been on mission or assignment outside the United States for a substantial period may or may not qualify for a provision of the taxing authorities of the U.S. federal government and some states which allows as much as $70,000 per year of foreign earned income to be excluded from a taxpayer's taxable income in some circumstances.

Detailed information about the exclusion of foreign earned income can be found in the INFORMATION CIRCULAR from the Controller on PAYMENT OF INCOME TAXES and the instructions for IRS form 2555, which must be completed and attached to the tax returns of staff members who qualify for the exclusion.

It is necessary to complete this form in order to help the Payroll Unit to determine whether or not you have already qualified or are likely to qualify for the foreign earned income exclusion for tax years 1997 and/or 1998.

The data for 1997 are also essential for U.S. citizens who, while on assignment outside the United States, are subject to self-employment taxes to the extent that they spend time in the United States, whether on duty or on leave.

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[ ] I am currently outside the United States on mission or assignment. My most likely return date to an assignment in the United States is: _____ (day/month/year)

[ ] I have indicated below each different period from 1 January 1996 to the present during which I was outside the United States, and I have attached an additional piece of paper for more entries, if necessary.

Date departed from U.S _____ (day/month/year) Date returned to U.S. _____ (day/month/year)

Date departed from U.S. _____ (day/month/year) Date returned to U.S. _____ (day/month/year)

Date departed from U.S. _____ (day/month/year) Date returned to U.S. _____ (day/month/year)

Date departed from U.S. _____ (day/month/year) Date returned to U.S. _____ (day/month/year)

Date departed from U.S. _____ (day/month/year) Date returned to U.S. _____ (day/month/year)

Date departed from U.S. _____ (day/month/year) Date returned to U.S. _____ (day/month/year)

Date departed from U.S. _____ (day/month/year) Date returned to U.S. _____ (day/month/year)

CERTIFIED TRUE AND CORRECT

Date: _____ (day/month/year) Signature: _____

## CONSENT FOR THE INTERNAL REVENUE SERVICE TO DISCLOSE TAX RETURN INFORMATION TO THE UNITED NATIONS

Information contained in United States federal income tax returns is confidential and, except as authorized by the Internal Revenue Code, may not be disclosed to any person. Taxpayers may authorize the Internal Revenue Service to release this confidential tax return information to persons otherwise not entitled to receive such information.

The purpose of this consent is to authorize the Internal Revenue Service to disclose certain confidential tax information to the United Nations to assist the United Nations in verifying the United States income taxes you paid on your earnings from the United Nations. The United Nations will use this information in connection with its programme of reimbursing income taxes paid on United Nations emoluments, pursuant to staff regulation 3.3(f). The Internal Revenue Service has no involvement in such verification aside from processing any consents received from taxpayers and disclosing information in accordance with the terms of such consents. The United Nations will pay the fees incurred in processing the present consent.

You may revoke the present consent by writing to the Internal Revenue Service at:

Internal Revenue Service
1040 Waverly Avenue
Holtsville, NY 11742
Attn: Photo Disclosure
Stop 532

No consent will be honoured by the Internal Revenue Service if a written revocation is processed at the designated address prior to a disclosure being made.

### CONSENT BY STAFF MEMBER

I, _____ hereby authorize
NAME OF STAFF MEMBER

the Internal Revenue Service to disclose to the United Nations tax information including a transcript of my Federal income tax account(s) for 1997/1996/1995/1994. The return(s) was/were filed under the name(s) of
(Cross out only those year(s) during which you were NOT a United Nations staff member.)

_____
NAME(S) UNDER WHICH 1997 IRS FORM 1040 FILED

at _____
ADDRESS AS ON 1997 IRS FORM 1040 FILED

showing my Social Security Number _____ and that of my spouse _____.
IF APPLICABLE

If I revoke this consent, I authorize the Internal Revenue Service to disclose a copy of my revocation, or the fact that I have revoked, to the United Nations.

I request the Internal Revenue Service to transmit the above information to:

United Nations
New York, N.Y. 10017

**Signature*:** _____ **Date:** _____
MONTH/DAY/YEAR

***Even if the tax return is a joint one, this form need only be signed by the staff member concerned.**

**INSTRUCTIONS:** *Please fill out the form above by printing you name, the name(s) under which your return was filed, your current address and social security number(s) in the appropriate blanks. If you were not a staff member of the United Nations during any of the four years listed on the third line, you may cross out that/those year(s), but make no other changes or notations on the form. Complete this form in pen. Do not use pencil. Sign and date the form at the bottom, making sure that you follow the format shown, that is,* ***"MONTH/DAY/YEAR"****. YOU MUST RETURN THIS FORM WITH AN* ***ORIGINAL*** *SIGNATURE AND DATE.* ***COPIES OF THIS FORM ARE NOT ACCEPTABLE****.*